

**REQUEST FOR PROPOSAL
FOR
PROFESSIONAL AUDITING SERVICES
FOR
THE WEST VIRGINIA BOARD OF RISK AND INSURANCE MANAGEMENT**

RFP #041516

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Request for Proposal for Professional Auditing Services

GENERAL INFORMATION

Purpose

The purpose of this Request for Proposal (RFP) is to solicit proposals to perform the annual financial statement audit for the West Virginia Board of Risk and Insurance Management (BRIM) in accordance with Government Auditing Standards for the fiscal year ending June 30, 2016. The contract will be for one (1) year with a maximum of two (2) one year renewals.

Issuing Agent

The issuing agent for this RFP is BRIM. All communication, inquiries, and final proposals regarding this RFP **must** be submitted in writing to the following individual:

Stephen Schumacher, CPA, Chief Financial Officer
West Virginia Board of Risk and Insurance Management
90 MacCorkle Avenue, SW, Suite 203
South Charleston, West Virginia 25303
Telephone: (304) 766-2646
Fax: (304) 744-7120

All correspondence **must** be clearly marked **RFP #041516**.

Status as Registered Vendor

All respondents participating in the competitive bid process must complete and file the Vendor Registration and Disclosure Statement, Form WV-1, and remit an annual registration fee. These requirements should be met by the anniversary date of the vendor fee program or as soon as the vendor becomes aware of the requirement. However, all vendors competing for State business must be registered prior to the award of an actual purchase order or contract. The award of this audit contract is exempt from West Virginia Purchasing requirements.

Terms of Contract

The performance of the contract awarded pursuant to this document is contingent upon adequate funding being appropriated by the West Virginia Legislature for such purposes. In the event the Legislature fails to appropriate sufficient funds for the continuation of the contract, then the contract will be canceled without penalty at the end of the fiscal year.

The terms of the contract negotiated as a result of this RFP must, by State law, be consistent with the following:

- **Arbitration** – Any references to arbitration contained in the agreement are unacceptable. Disputes arising out of the agreement shall be presented to the West Virginia Court of Claims.
- **Hold Harmless** – Any clause requiring the Agency to indemnify or hold harmless any party is unacceptable.
- **Governing Law** – The agreement shall be governed by the laws of the State of West Virginia.

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- **Taxes** – Provisions in the agreement requiring the Agency to pay taxes are unacceptable. As a State entity, the Agency is exempt from Federal, State, and local taxes and will not pay taxes for any Vendor including individuals, nor will the Agency file any tax returns or reports on behalf of any Vendor or any other party.
- **Payment** – Any references to prepayment are unacceptable. Payment will be in arrears.
- **Interest** – Should the agreement include a provision for interest on late payments, the Agency agrees to pay the maximum legal rate under West Virginia law. All other references to interest or late charges are unacceptable.
- **Recoupment** – Any language in the agreement waiving the Agency's right to set-off, counterclaim, recoupment, or other defense is unacceptable.
- **Statute of Limitation** – Any clauses limiting the time in which the Agency may bring suit against the vendor, lessor, individual, or any other party are unacceptable.
- **Similar Services** – Any provisions limiting the Agency's right to obtain similar services or equipment in the event of default or non-funding during the term of the agreement are unacceptable.
- **Attorney Fees** – The Agency recognizes an obligation to pay attorney's fees or costs only when assessed by a court of competent jurisdiction. Any other provision is invalid and considered null and void.
- **Assignment** – Notwithstanding any clause to the contrary, the Agency reserves the right to assign the agreement to another State of West Virginia agency, board or commission upon thirty (30) days written notice to the Vendor and Vendor shall obtain the written consent of Agency prior to assigning the agreement.
- **Limitation of Liability** – The Agency, as a State entity, cannot agree to assume the potential liability of a Vendor. Accordingly, any provision limiting the Vendor's liability for direct damages or limiting the Vendor's liability under a warranty to a certain dollar amount or to the amount of the agreement is unacceptable. In addition, any limitation is unacceptable to the extent that it precludes any action for injury to persons or for damages to personal property.
- **Right to Terminate** – Agency shall have the right to terminate the agreement upon thirty (30) days written notice to Vendor.
- **Termination Charges** – Any provision requiring the Agency to pay a fixed amount or liquidated damages upon termination of the agreement is unacceptable. The Agency may only agree to reimburse a Vendor for actual costs incurred or losses sustained during the current fiscal year due to wrongful termination by the Agency prior to the end of any current agreement term.
- **Renewal** – Any reference to automatic renewal is unacceptable. The agreement may be renewed only upon mutual written agreement of the parties.
- **Insurance** – Any provision requiring the Agency to insure equipment or property of any kind and name the Vendor as beneficiary or as an additional insured is unacceptable.

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- **Right to Notice** – Any provision for repossession of equipment without notice is unacceptable. However, the Agency does recognize a right of repossession with notice.
- **Acceleration** – Any reference to acceleration of payments in the event of default or non-funding is unacceptable.
- **Amendments** – All amendments, modifications, alterations or changes to the agreement shall be in writing and signed by both parties.

Right to Reject

The State reserves the right to reject any and all proposals submitted and to request additional information from all proposers.

Price Quotation

The price quoted in the vendor's proposal will not be subject to any increase and will be firm for the term of the contract.

WV 96

Any vendor proposing will be required upon award of the contract to complete a WV-96 form (Attachment 2 of this proposal). This form is non-negotiable and must be executed upon award.

Insurance Requirements

The firm shall be responsible for maintaining insurance coverage in force for the life of this contract of the kinds and amounts requested below. The firm's insurer or agent shall provide to the agencies Certificates of Insurance prior to the execution of the contract. The firm, at their own expense, shall procure and maintain all insurance required below:

Workers' Compensation-as required by law

General Liability-Comprehensive Broad Form with minimum limits of \$1,000,000 per occurrence

Professional Liability-minimum limits of \$1,000,000 per occurrence

Joint Effort Proposals

Joint effort proposals or subcontractors will not be considered. BRIM will contract only with the primary bidder. All work must be performed by actual employees of the bidder.

Critical Dates

Detailed client assistance packages must be received at least 15 days prior to fieldwork for both interim and year-end assistance.

A draft audit report and any related reports on reportable conditions or management letter comments will be completed by September 15, 2016. The final reports will be completed by October 10, 2016.

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Time Requirements

RFPs Issued	April 15, 2016
Mandatory Proposer's Conference (questions submitted)	April 25, 2016
Proposals Due	May 13, 2016
Selected Firm Notified	May 20, 2016

The Mandatory Proposer's Conference will be held Monday, April 25, 2016, at 10:00 a.m. at BRIM's offices. Every vendor who wishes to submit a proposal must have a representative present. The purpose of this meeting is to explain the project in greater detail and take any initial questions. If a vendor neglects to send a representative to this meeting, their proposal will be disqualified.

Litigation Bond

Each Proposer responding to this RFP is required to submit a litigation bond in the amount of 5% of submitted proposal made payable to the State of West Virginia Board of Risk and Insurance Management. A surety company licensed to do business in the State of West Virginia with the West Virginia Insurance Commission, on a form acceptable to the State, and countersigned by a West Virginia Resident Agent must issue this bond. The only acceptable alternate forms of the bond are (1) company certified check (not an individual) and (2) a cashier's check.

The purpose of the litigation bond is to discourage unwarranted or frivolous lawsuits pertaining to the award of a contract from this RFP. Secondly, the bond provides a mechanism for the State of West Virginia, the Agency, and its officers, employees, or agents thereof to recover damages, including (but not limited to) attorney fees, loss of revenue, loss of grants or portions thereof, penalties imposed by the federal government and travel expenses which may result from any such litigation. A claim against the bond will be made if the Proposer contests the award in a court of competent jurisdiction and the grounds are found to be unwarranted or frivolous based on the facts of the award or applicable law as determined by the court. The bond or alternate form must remain in effect for two years from the proposal submission date. After six (6) months, each Proposer may request, and the State anticipates granting, a release of the litigation bond. However, the Proposer will be required to provide a release (signed and notarized in a form that is acceptable to the State) prior to release of the bond which states that the Proposer will not sue. Failure to submit an appropriate bond or alternate bond with the proposal at the time of [proposal or just opening] opening will result in automatic disqualification of the Proposer's proposal and the proposal will be considered non-responsive.

Proposer's Total Waiver of Legal Challenge

Proposer may be relieved of this requirement by completing the waiver form that is attached to this document as Attachment 4.

Purchasing Affidavit, Letter of Good Standing

Proposer must submit a signed Purchasing Affidavit and Letter of Good Standing. The Purchasing Affidavit is found on the WV Purchasing Division Website, <http://www.state.wv.us/admin/purchase/vrc/pforms.htm>. The Letter of Good Standing must be requested from the Sales Tax Unit, Internal Auditing Division of the State Tax Department.

SCOPE OF WORK

Background

BRIM is located at 90 MacCorkle Avenue SW, Suite 203, South Charleston, West Virginia. BRIM administers a multifaceted insurance program including liability and property insurance for all state agencies, state Boards of Education, and various political subdivisions and non-profit corporations. BRIM also acts as the re-insurance vehicle for the West Virginia Mine Subsidence fund.

BRIM currently covers over 102,746 employees, 29,951 vehicles and over \$20.0 billion in property values in its property and liability programs. Approximately 89,000 mine subsidence policies are sold annually. Beginning December 2001, BRIM began providing malpractice insurance to private health care providers. All policies under this program were terminated as June 30, 2004 and this malpractice insurance program was novated in March of 2015. BRIM uses a combination of self-insurance, re-insurance and guaranteed cost insurance to administer the programs listed above.

BRIM meets the criteria for classification as a Public Entity Risk Pool, pursuant to the requirements of the Governmental Accounting Standards Board (GASB) Statement 10. BRIM is an enterprise fund in the primary government of the State of West Virginia. It is a separately audited entity and is included in the States' Comprehensive Annual Financial Report.

Scope of Work

- ◆ BRIM desires the Auditor to express an opinion on the fair presentation of its general purpose financial statements in conformity with Government Auditing Standards. In addition, apply certain limited procedures to the required GASB 30 supplemental schedules as required by professional standards. An audit opinion is not expressed on these schedules. This opinion, along with the financial statements and these schedules are to be issued on or before October 10, 2016.
- ◆ The auditor will also render an Other Financial Information (OFI) in relation to opinion on the OFI schedules prepared for the State of West Virginia Comprehensive Annual Report. This report, containing financial statements and OFI schedules for the Financial Accounting and Reporting Section for the state of West Virginia should be delivered on or before October 10, 2016. A copy of the financial statements and OFI statements are included as an attachment to this proposal.
- ◆ A management letter is also to be issued separately. This letter will provide recommendations for improving the internal controls of BRIM. This letter, addressed to the management of BRIM, should be issued in final form no later than October 10, 2016.
- ◆ A report containing required communications to BRIM's Board will also be required:
 - The auditor's responsibility under Generally Accepted Auditing Standards (GAAS)
 - Significant accounting policies
 - Management judgments and accounting estimates
 - Significant audit adjustments
 - Other information in documents containing audited financial statements
 - Disagreements with management on Financial Accounting and Reporting Matters
 - Management consultation with other accountants
 - Serious Difficulties Encountered in Performing the Audit

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- Significant Disclosures Not Made
 - Material errors, Irregularities and Illegal Acts
- ◆ Included in the audit fee will be a review of BRIM's draft CAFR prior to submission to the GFOA (Government Finance Officer's Association) for the Certificate of Financial Reporting Excellence award. The auditor will review the draft CAFR, the completed GFOA checklist and make suggestions to BRIM prior to submission.

Special Terms and Conditions

- ◆ Assistance to be provided to the auditor
- Finance department staff will be available during the audit to assist the firm by providing information, documentation and explanation.
 - An actuarial report will be provided to the auditor from an independent actuarial firm to support the liability for the unpaid claims and claims adjustment expense.
 - The most recently available Statement on Standards for Attestation Engagements (SSAE) No. 16 reports from both our third party claims administrator and out trust fiduciary will be prepared by an independent auditing firm and will be given to the auditor for review.
 - Report preparation, editing and printing shall be the responsibility of the auditor.
 - The financial statement footnotes and the required state FARS (Financial Accounting and Reporting Section) forms are the responsibility of the auditor.

BRIM's financials are included as part of the State of West Virginia's Comprehensive Annual Financial Report. All financial reports required under the terms of this proposal must comply fully with parameters set by the State of West Virginia's Department of Administration, Financial Accounting and Reporting Section (FARS). This will include, by way of example and not exclusively, responding to specific requests for information, preparing closing book forms, and attending meetings held by FARS regarding their requirements for report preparation presentation, deadlines, etc.

Conflict of Interest

BRIM maintains, or during relevant time frames maintained, contracts with the following entities:

- American International Group (AIG)
- Bank of New York Mellon
- AON Fire Protections Engineering Corporation
- AON Global Risk Consulting

Proposers must address any professional conflicts or potential conflicts of interest involving these or any other known BRIM contracted entities. In addition, the proposer must address potential or actual conflicts presented if the proposer has done other work for BRIM or other West Virginia State entities.

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PROPOSAL FORMAT

In order to simplify the review process and to obtain maximum comparability, the proposals should be organized in the manner specified below:

1. An introductory section should include the proposal subject, name, address, and telephone number of the firm; name and telephone number of the contact person; and the date of submission of the proposal.
2. The firm should provide an affirmative statement that it is independent of the agencies it is proposing to provide audit services. The firm should also provide an affirmative statement that it is independent of the State of West Virginia and any other component units of that entity, as defined by those same standards. In addition, the firm shall give the agencies written notice of any professional relationships entered into during the period of this agreement.
3. The firm must provide an affirmative statement that it is qualified to practice as Certified Public Accountants in good standing with the West Virginia Board of Accountancy.
4. An affirmative statement should be included, which states that the work will be performed within the time specified.
5. Firm Qualifications and Expertise

The proposal should state the size of the firm, the size of the firm's governmental and insurance staff, the location of the office from which the work on this engagement is to be performed and the number and nature of the professional staff to be employed in this engagement.

6. Partner, Supervisory and Audit Staff Qualifications and Experience

The firm should identify the principal supervisory and management staff, including engagement partners, managers, other supervisors and specialists, who would be assisting with each section of the engagement.

The firm should provide as much information as possible regarding the number, qualifications, experience and training, including relevant continuing professional education of the specific staff to be assigned to the engagement. The firm should also indicate how the quality of the staff over the term of the engagement will be assured.

Engagement partners, managers, other supervisory staff and specialists may be changed if those personnel leave the firm, are promoted or are assigned to another office. These personnel may also be changed for other reasons with the express prior written permission of the Agency. However, in either case, the Agency retains the right to approve or reject replacements.

Consultants and firm specialists, mentioned in response to this request for proposals, can only be changed with the express prior written permission of the Agency. However, in either case, the Agency retains the right to approve or reject replacements.

Other audit personnel may be changed at the discretion of the Proposer provided that replacements have substantially the same or better qualifications or experience.

7. Expertise of Actuarial Staff

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It is a requirement of this RFP that the auditing firms have an actuary on the engagement team. It is preferred that the audit firm have an in house actuarial staff. A large portion of the audit relies on the review of an accredited actuary. Proposals should state the experience and qualifications of the consulting actuary who would be performing work throughout the course of the engagement. The proposal should also estimate the review time the actuary will spend on the Agency's audit

8. Prior Engagements with the State of West Virginia

The firm should list separately all engagements within the last five years ranked on the basis of total staff hours, for the State of West Virginia, by type of engagement (i.e., auditing, management advisory services, other.) For each engagement the firm should indicate the scope of work, date, engagement, partners, total hours, the location of the firm's office from which the engagement was performed, and the name and telephone number of the principal client contact.

9. Similar Engagements with Property/Casualty Providers with assets of over \$120 million

The firm should list the most significant engagements (maximum of five) performed in the last five (5) years that are similar to the BRIM engagement described in this request for proposal. The clients must have over \$120 million in total assets. These engagements should be ranked on the basis of total staff hours.

Indicate the scope of the work, date, engagement partners, total hours, and the name and telephone number of the principal contact.

10. Report Approach

The proposal should set forth a work plan, including an explanation of the methodology to be followed, to perform the services required in this request for proposals.

Proposals are required to provide the following information on their approach:

- (1) Level of staff and number of hours to be assigned to each proposed segment of the engagement (i.e., planning, internal controls, reporting, etc.)
- (2) An estimate of the total time required to complete the audit
- (3) Firm's understanding of work to be performed as demonstrated by discussion of overall audit approach
- (4) Extent of use of technology in the engagement

11. The cost proposal should be submitted in a separate envelope from the technical proposal.

12. Submit five (5) bound copies and one (1) unbound copy of their response to the RFP.

The above material is required to be received by 3:00 p.m. DST, May 13, 2016, for a proposing firm to be considered.

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EVALUATION CRITERIA

Proposals will be evaluated by a committee of three (3) or more individuals in accordance with the criteria given below, and the contract will be awarded to the vendor who accumulates the most points out of one hundred (100) possible points.

The selection of the apparent successful vendor will be by consensus score of the Evaluating Committee and will be based on the following criteria using the point weights specified:

The following are the factors and point values:

(A) Expertise and Experience (40 points)

The firm's past experience and performance on comparable engagements

- (1) The quality of the firm's professional personnel to be assigned to the engagement and the quality of the firm's management support personnel, to be available for technical consultation.
- (2) The organization size, structure and location of branch offices of the firm that are to be utilized in the performance of the contract.
- (3) The firm's past experience with comparable governmental and insurance clients.

(B) Approach (30 points)

- (1) Adequacy of proposed staffing plan for various segments of the engagement
- (2) Adequacy of overall audit approach
- (3) Adequacy of use of technology

(C) Cost (30 Points)

TOTAL 100 POINTS

COST WILL NOT BE THE PRIMARY FACTOR IN THE SELECTION OF AN AUDIT FIRM

Each proposed contract price will be evaluated by use of the following formula:

$$\frac{\text{Lowest price of all proposals meeting minimum criteria}}{\text{Price of specific proposal being evaluated}} \times 30 = \text{Price Score}$$

The following criteria will be established for the evaluation of the contract price as part of the response to the RFP. Cost of performing the audit may not escalate more than 3 percent per year over the initial contract price during the extension period of this RFP if the contract is extended for the two optional years.

Vendors must score a minimum of 70% of the total technical score before the price will be evaluated. The minimum qualifying score would be 70% of 70 points (49 points) for further consideration and evaluation. All vendors scoring 49 points will be evaluated using the above price score and the winning vendor will have the most points out of the possible 100.

It is the intention of the Agency to select the most convincing and cost-effective proposal based on an evaluation of the vendor responses to this RFP. However, the Agency reserves the right to accept or reject any or all of these proposals, in whole or in part, if to do so is judged to be in the best interests of the Agency. Vendor's failure to provide complete and accurate information may be considered grounds for disqualification.

The Agency reserves the right to ask vendors for additional information to clarify their proposals. Nothing may be added to alter the writing of any proposal after the proposal opening.

Attachment 1

COST PROPOSAL

PART 1 – COST

Cost to perform the audit (including estimated out-of-pocket expenses).

\$ _____

PART 2-Rates per staff member for additional work that may be performed. This section must be completed by all bidders.

Partner	\$ _____
Senior Manager	\$ _____
Manager	\$ _____
Senior	\$ _____
Staff	\$ _____
Consulting Actuary	\$ _____
Senior Consulting Actuary	\$ _____

Attachment 2-WV 96

Attachment 3

(Enclosed CD contains PDF copy of BRIM's June 30, 2015 Audited Financial Statements or they can be accessed via the following BRIM website link: [2014 - 2015 Audited Financials](#))

ATTACHMENT 4

Bidder's Total Waiver of Legal Challenge

_____ hereinafter "Proposer" wishes to
(Legal Name of Proposing Entity),

submit a Proposal in response to the Request For Proposal For Professional Auditing Services (the RFP) issued April 15, 2016 by the State of West Virginia Board of Risk and Insurance Management. The Proposer acknowledges that a mandatory requirement of the RFP is that the Proposer submits a litigation bond with its proposal.

In consideration of the waiver of said litigation bond requirement by the West Virginia Board of Risk and Insurance Management, and in lieu of such bond, the Proposer agrees:

That the Proposer completely waives and foregoes any and all legal right or ability it may now have, or in the future acquire, to initiate any sort of challenge to or against the selection of a Proposer and/or the ultimate award of a contract or contracts pursuant to the RFP. This Waiver is entered voluntarily by a representative authorized to legally bind the Proposer and shall be binding on the Proposer, its successors, assigns, heirs and any others claiming under the legal rights of the Proposer. This Waiver shall apply to any and all types of action, in challenge to or seeking to attack, in any way, the RFP selection process, or the subsequent award of contract(s) to the successful Proposer, including but not limited to, administrative, judicial, or collateral actions.

(Legal Name of Proposer)

By: _____
(Authorized Signature)

Title: _____
(Title of Authorized Representative)

Approved:

The West Virginia Board of Risk and Insurance Management

By: _____
(Authorized Representative)